LEGISLATIVE AUDITS

REPORT FOLLOW-UP

AGENCY: DEPARTMENT OF HEALTH AND WELFARE

On May 8, 2007, the Legislative Services Office released a *Management Report* for the Idaho Department of Health and Welfare for FY 06. The Department was contacted on September 26, 2007, and this follow-up report addresses how it has responded to the findings and recommendations contained in that report.

STATUS OF CURRENT RECOMMENDATIONS

FINDING #1 – The Medicaid program has not coordinated the efforts to recover benefit costs through the Child Support programs as required.

We recommended that the Department establish a new cooperative agreement between the Medicaid and the Child Support programs that meets the requirements of federal regulations. We also recommended that the Department investigate whether prior period costs for services and incentives are recoverable from the Medicaid program by the Child Support program.

DEPARTMENT'S ORIGINAL RESPONSE – The Department drafted a cooperative agreement between Medicaid and Child Support, and is reviewing it to ensure it meets federal regulations. The Child Support program is also investigating whether prior period costs for Medicaid services and incentives could be recovered from the Medicaid program.

AUDIT FOLLOW-UP – The cooperative agreement between Child Support and Medicaid was signed and became effective July 1, 2007. The federal grantor is reviewing the signed agreement to determine whether prior period costs can be recovered.

STATUS: CLOSED

FINDING #2 – Medicaid eligibility for newborn children is mistakenly ended early or not established at all.

We recommended that the Department establish procedures to ensure that all children born to poverty level women remain eligible for one year from date of birth, as required by the State Plan. These procedures should include creating and working ad-hoc reports each month that identify newborn children whose eligibility has ended early and those whose eligibility was not properly established. We also recommended that the Department provide staff with additional training to reduce errors in establishing and maintaining newborn eligibility.

DEPARTMENT'S ORIGINAL RESPONSE – The Department identified certain situations in which the child may not have automatic eligibility. Additionally, it noted difficulty in receiving notification of the birth of an eligible child. However, the Department listed four actions to specifically avoid the early closure of cases for children under one year of age. Included in those actions was the consolidation of Family Medicaid Maintenance into one statewide unit, regular monthly reports of children under one year of age whose case was closed, workload management report generated to field workers to notify them of cases due for re-determination with a child under one year of age, and an agreement with the hospitals to act on information received within two business days.

AUDIT FOLLOW-UP – The Department has established a consolidated Family Medicaid Maintenance Unit and has been generating a monthly report of ended eligibility for children under one year of age that is reviewed by field workers. Our review of a current report shows that the Department has significantly reduced the number of children whose eligibility has mistakenly ended early.

STATUS – CLOSED

FINDING #3 – Medicaid eligibility data in EPICS is still not reconciled to the Medicaid Automated Information System (AIM).

We recommended that the Department establish interim procedures to identify and correct errors in the automated records that cause client eligibility to be delayed or not established at all. These procedures should include actively identifying cases each month with characteristics known to cause eligibility errors and methods for documenting the changes made to the client record.

DEPARTMENT'S ORIGINAL RESPONSE – The Department is working to modernize Medicaid and is making programming and policy changes to eliminate erroneous coding. The Department disagreed with the number of cases cited as having overlapping benefits, and said that in more than half the cases the overlap was appropriate. The consolidation of family-related Medicaid into one unit is expected to greatly reduce errors in clients that are approved in EPICS but not included correctly in AIM.

AUDIT FOLLOW-UP – The Department continues to assert that individuals will still have overlapping coverage as they change benefit types, and system limitations that cause this error will be addressed in the EPICS replacement. The reconciliation report between EPICS and AIM is delayed due to resource constraints.

STATUS – OPEN

FINDING #4 – Nearly $756,000 from the Child Support Grant was erroneously expended for services to ineligible clients.

We recommended that the Department exclude costs from the federal grant for child support cases where the client is not eligible for services. We also recommended that the Department resolve the fiscal year 2006 questioned costs with the federal grantor, and determine whether adjustments for prior year claims that included these costs are required.

DEPARTMENT'S ORIGINAL RESPONSE – The Department disagreed with this finding, citing federal guidance given on a prior finding stating "TANF funds may be used for processing child support payments when the cases do not qualify for funding under the Child Support Enforcement program. Cases where the support order is on or after January 1, 1994 and the payment is made by wage withholding are eligible for funding by the Child Support Enforcement program. Older cases or cases where payment is not made by wage withholding may be charged to TANF."

AUDIT FOLLOW-UP – This issue was submitted to the federal grantor for review, and the Department is awaiting a response before taking any action.

STATUS – OPEN

FINDING #5 – Documents were not available to support TANF eligibility in 60% of cases tested.

We recommended that the Department review all TANF cases and obtain any missing documentation to reassess whether eligibility and benefit amounts were properly determined. We also recommended that the Department develop a checklist to be used by all regional offices to ensure that all supporting documents are obtained before benefits are issued.

DEPARTMENT'S ORIGINAL RESPONSE – The Department disagreed that it was required to maintain evidence of these documents, or verification process, in the file.

AUDIT FOLLOW-UP – This issue was submitted to the federal grantor for review, and the Department is awaiting a response before taking any action.

STATUS – OPEN

FINDING #6 – TANF funds were used for Head Start, child support receipting, and other unallowable activities.

We recommended that the Department evaluate all programs funded by the TANF grant to ensure that funds are used only for activities that specifically meet the federal objectives. We also recommended that the Department resolve the questioned cost amount with the federal grantor.

DEPARTMENT'S ORIGINAL RESPONSE – The Department disagreed with this finding and asserted that Head Start and child support receipting were legitimate uses for TANF funds. Head Start also provides parenting, conflict resolution, and self-sufficiency services to the parents of children enrolled in Head Start. The Department cited a prior audit finding resolution from Region X that stated costs for services not eligible for child support funding are eligible for TANF funding.

AUDIT FOLLOW-UP – Other unallowable activities such as immunization costs, poison control costs, and the Governor's Coordinating Council for Families and Children costs have been moved out of TANF or discontinued. The Head Start and child support receipting costs were submitted to the federal grantor for review, and the Department is awaiting a response before taking any action.

STATUS – OPEN

FINDING #7 – Client eligibility requirements for child care assistance are not properly documented.

We recommended that the Department obtain appropriate documentation of eligibility for all clients receiving child care assistance. A checklist for staff should be considered to ensure that all requirements are met, with additional training and supervisory reviews when cases are established and eligibility is redetermined.

DEPARTMENT'S ORIGINAL RESPONSE – The Department indicated that the Idaho Child Care Program (ICCP) does not require an ICCP recipient to be a U.S. citizen, only that they must be legally in the country or that the qualifying child must be a citizen. The Department further stated that it has a variety of systems and programs verifying this information, which can be used to meet the requirements for child care assistance.

The Department also does not see the necessity of collecting progress reports from clients attending school since students who receive financial aid must have satisfactory progress to continue receiving the financial aid, and clients receiving ICCP have low enough income to receive financial aid. The Department also disagrees with the finding on the immunization record verification. They rely on public schools to verify immunization for school age children and do not require re-verification. The Department further stated that for pre-school age children it accepts incomplete immunization records.

The Department disagrees with the finding on documenting the reason for excluding foster care income citing that there is no rule requiring documentation. The Department plans to continue to make case-by-case determinations to include or exclude foster parent income in eligibility determinations.

AUDIT FOLLOW-UP – This issue was submitted to the federal grantor for review, and the Department is awaiting a response before taking any action.

STATUS – OPEN

FINDING #8 – Federal funds were drawn early, in error.

We recommended that the Department review the draw methods used for all federal grant programs to ensure compliance with the procedures identified in the Cash Management Improvement Act (CMIA) agreement. We also recommended the Department resolve the potential interest liability with the federal grantor.

DEPARTMENT'S ORIGINAL RESPONSE – The Department reviewed the final clearance pattern included in the CMIA agreement and found it did not correspond to the actual historic clearance pattern experienced by the Medicaid program. The Division of Financial Management indicated it would review the clearance patterns with the U.S. Treasury to get the correct one in place. This should eliminate the interest liability. Other draw methods will be reviewed to bring them into compliance with the CMIA agreement.

AUDIT FOLLOW-UP – The clearance patterns were reviewed and updated and other draw patterns were also reviewed in the CMIA agreement as of July 1, 2007. The potential interest liability with the federal grantor still needs to be addressed.

STATUS – OPEN

FINDING #9 – Travel vouchers are not prepared as required by Idaho Code and State travel policies.

We recommended that the Department comply with Idaho Code and State policies by requiring travelers to prepare vouchers that identify the travel itinerary, all costs associated with the trip, and the method of payment. Travel vouchers should include all details of each trip, even if the traveler is not seeking any additional reimbursement.

DEPARTMENT'S ORIGINAL RESPONSE – The Department developed a new travel voucher that will consolidate all expenditures related to a trip in a single document regardless of disbursement process. This form will be completed and submitted even when no funds are due to the traveler.

AUDIT FOLLOW-UP – The new travel authorization form and instructions have been implemented as of September 13, 2007.

STATUS – CLOSED

FINDING #10 – Internal controls and monitoring purchasing card (P-card) usage need improvement.

We recommended that the Department strengthen internal controls and monitoring over P-card transactions by properly assigning second level approvals for all users, instructing staff to use statewide contract vendors, and avoid paying State sales tax. We also recommended that the Department periodically monitor approval levels and transactions to ensure controls and usage are appropriate.

DEPARTMENT'S ORIGINAL RESPONSE – System changes were made by the State Controller's Office to not allow a user to approve transactions initiated by the same person. Additionally, the Department reviewed assigned second level approvers with program staff to ensure the process is completed and documented. Third level approvers were also instructed to not approve transactions without proper second level action. Additionally, a letter has been sent to all P-card users reminding them of the required purchasing procedures, and instructing them to review transactions and remove sales tax before approving the transactions.

AUDIT FOLLOW-UP – The changes implemented by the Department address the needed improvement in controls. Monitoring is addressed through additional review by second and third level approvers to ensure that procedures, including using State vendors and checking for sales tax, are followed when making purchases with P-cards.

STATUS – CLOSED

STATUS OF PRIOR RECOMMENDATIONS

The following is the current status of the prior findings and recommendations that were open when the report was released in May 2007.

PRIOR AUDIT FINDING #1 – Changes are needed in the criteria used to establish Medicaid eligibility under the Katie Beckett program.

We recommended that the Department undertake a thorough review of the criteria used to determine eligibility in the Katie Beckett program, and establish processes to monitor services provided to clients to ensure that an appropriate level of care is provided.

CURRENT AUDIT FOLLOW-UP – The Department disagrees with this finding, believing that all Katie Beckett clients are eligible in accordance with federal regulations and the State Plan. However, the Department has developed additional review steps to strengthen its eligibility determination process. The Center for Medicaid Services (CMS) agrees that if these additional steps are properly implemented, they would help verify whether Katie Beckett clients have received institutional level of care. The federal grantor has cleared and closed this finding.

STATUS – CLOSED

PRIOR AUDIT FINDING #2 – Idaho is one of only two states without a certified Medicaid Fraud Control Unit (MFCU).

We recommended that the Department initiate a dialog with executive and legislative leadership to evaluate the merits of establishing a certified MFCU that could provide additional funding for investigating and prosecuting suspected cases of Medicaid fraud and patient abuse. We suggest that this dialog include the State Attorney General.

CURRENT AUDIT FOLLOW-UP – The federal grantor does not require the Department to have an independent MFCU, but encourages Idaho to establish and implement policies and procedures to strengthen the State's ability to prevent, identify, and investigate fraud and abuse in the Medicaid program. The State Attorney General's Office has established an MFCU. The Legislative Audit staff met with members of the State Attorney General's Office to discuss efforts taken to establish a MFCU. The Attorney General established a MFCU in 2007.

STATUS – CLOSED

PRIOR AUDIT FINDING #3 – The process for identifying and recording private health insurance coverage for Medicaid clients needs improvement.

We recommended that the Department improve the processes and efforts to identify and record health insurance resources of Medicaid clients as follows:

- **Develop a retrospective review process for suspect claims, in order to identify insurance resources known by providers previously excluded from the process.**

- **Amend the contract to define a valid insurance resource as one where the coverage period overlaps the client's period of Medicaid eligibility. The Department should analyze all insurance resources added during the last year, and request a refund from the contractor for fees to add resources for clients who were not eligible during the insurance coverage period.**
- **Coordinate the establishment of an enhanced data match process with Idaho-based private insurance companies to improve the efforts to identify Medicaid clients having health insurance. This may require the assistance of the Idaho Department of Insurance and legislation to establish the Department's ability to access this data.**

CURRENT AUDIT FOLLOW-UP – Some insurance data known by providers is not pursued. The Department has revised the contract with its third-party recovery contractor, and the contractor has strengthened processes to ensure insurance is pursued and costs are appropriately avoided. CMS has approved this approach and has cleared and closed this finding.

Insurance resources are recorded to have little or no possibility for cost avoidance or recovery. The Department disagrees with this portion of the finding and maintains no corrective action is necessary.

No comprehensive data match exists with Blue Cross or Blue Shield of Idaho. The Department has researched related legislation in other states. Copies of these statutes from other states have been reviewed by the Deputy Attorney General's Office, and a potential statute for Idaho has been drafted.

STATUS – OPEN

PRIOR AUDIT FINDING #5 – Essential edits in the Medicaid claims payment system are disabled and allow claims to be paid in error.

We recommended that the Department enable all essential system edits to ensure the accuracy of claims paid, and that Medicaid is the payer of last resort when claims relating to injuries or accidents are submitted.

CURRENT AUDIT FOLLOW-UP – The Department has taken steps to apply the "name number mismatch" edit to crossover claims from Medicare. These crossover claims were not previously subjected to this edit and were the bulk of the items identified in the audit. The Department asserts that the edit check for injury accident claims is active and that these claims are automatically pended for further review, with the exception of Medicare claims that the Department is federally mandated to pay as submitted. The federal grantor has cleared and closed this finding.

STATUS – CLOSED

PRIOR AUDIT FINDING #7 – Efforts by the Child Support program to recover Medicaid birth costs are not consistent.

We recommended that the Department pursue birth costs from all biological parents who are not included on the application for Medicaid assistance. Child support cases should be established for all clients and the reasons documented for not pursuing birth costs where appropriate.

CURRENT AUDIT FOLLOW-UP – The Department is reviewing the issue with program experts and the Attorney General's Office and plans to present options to the director. However, the federal grantor asserted that the State has had a system in place and has taken reasonable measures to pursue birth costs from absent parents. The federal grantor has cleared and closed this finding.

STATUS – OPEN

PRIOR AUDIT FINDING #8 – The number of child support cases with debt errors has declined, but remains high.

We recommended that the Department enhance the efforts to review and correct child support debts. The Department should continue to pursue additional resources to address this issue in order to complete this effort within a reasonable time frame, perhaps within the next two or three years.

CURRENT AUDIT FOLLOW-UP – The Child Support program has improved the financial accuracy of cases by establishing consolidated units and standardizing the various processes. Each consolidated unit has developed, or is in the process of developing, processes and methods to improve performance.

Although improvements have been made to reduce errors, efforts to evaluate the accuracy of debts for all cases will still not be completed within the recommended two to three years, based on the current rate of case reviews.

STATUS – OPEN

PRIOR AUDIT FINDING #12 – Fees for mental health services are based on poverty rates that are more than 13 years old.

We recommended that the Department adjust the fees listed in the Community Mental Health Service administrative rules to current rates and federal poverty guidelines. We also recommended that the Department consider amending these rules to describe the method for determining the fees, rather than detailed values or fixed amounts, as a way to avoid the need for future amendments.

CURRENT AUDIT FOLLOW-UP – The Department is currently evaluating the most equitable way to update and use the same schedule for all Behavioral Health programs. This process has been slowed by staff turnover. Once staffing permits and the Division can determine an equitable schedule, the Division will promulgate rules to implement the change.

STATUS – OPEN